PRESENTATION BY
JEAN-MARC EUSTACHE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
TRANSAT A.T. INC.

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
WEDNESDAY, MARCH 14, 2007, 10 A.M.

Check against delivery

Against many odds, 2006 was a record year for Transat. Both revenues and net income were up. This is quite a feat, when you consider high fuel prices, intense competition and hurricanes.

Tourism is volatile. It is also resilient. Following a slow down, it bounces back. For tour operators, success is a matter of adaptability. And in 2006, our team certainly did all the juggling required to meet the challenges we faced. This was not easy. Lots of moving parts were put into play.

Transat went public in 1987 and turns 20 this year. We are a young company. That's why we are proud that, in so little time, we have managed to rank among the largest tour operators worldwide.

The overall market grew in 2006. It rose from 800 million travellers to more than 840 million. The long-term forecast predicts there will be more than 1.5 billion international travellers annually by 2020. But the market is changing.

You may be surprised... but, as we speak, the fastest-growing destination is Africa. In 2005, countries that recorded double-digit tourism growth included Turkey (20%), Colombia (18%), Venezuela (45%) and China (12%). Some have observed that China could displace France as the number one destination in the world. In support of that theory, note that travel to France grew by only 1% to 76 million. In fact, China, as a destination, has already surpassed Italy and the United Kingdom.

And what's true for destinations is also true for source-markets. Tourists now come from everywhere. In light of this, what about Transat? Our position is both excellent and promising. Our mission is to offer the general public, packaged international holiday travel services, that feature a superior price-quality ratio.

The added value we bring comes from the following. We bring to market new destinations, exclusive hotels and attractive packages at good prices. We appeal to all kinds of consumers by offering all kinds of trips. We have an airline strategy that dovetails with the *needs of tourists*, not with the *needs of business travellers*. And finally, we are the best at managing inventories and risk.

Currently, we offer travel products in more than 60 destination countries, on all continents. Most of our clients come from Canada, the United Kingdom and France. But we are also present in some 50 other source-markets, selling packages to Canada and Greece.

One of the main achievements of 2006 was our acquisition of Canadian Affair. Of all Canada-Europe market segments, the UK is the largest, and it has been the largest for Transat for many years. In 2007, we should be in a position to sell roughly 400,000 seats on that route, thanks to uniting our efforts with Canadian Affair. We will do this with three different airlines: Air Transat, Thomas Cook Airlines and My Travel Airways. We will fly to a total of 7 UK destinations, plus Ireland, from 7 Canadian cities. Bottom line, the Canadian Affair acquisition has reinforced our position in what is the most important summer market for a Canadian tour operator.

Another key achievement of 2006 was the good performance of our French tour operators. First of all, Vacances Transat France, which is the number one seller of packages to Canada and the United States. It also has a diversified offering as a long-haul player. Developing new destinations has been a strategic priority for Vacances Transat in recent years. In 2006, just as an example, it sold tours to all Scandinavian countries, as well as to several countries in Central and South America, Asia, Africa and Eastern Europe. If you've always dreamed of a safari in Kenya, Vacances Transat France can deliver it.

At Look Voyages, the number of travellers rose by a solid 27%. Revenues reached $200 million (148 million euros), and the company recorded a profit for the first time in years. We are very satisfied with the performance of our French tour operators. Not just because of the growth and the profitability, but also because this was achieved in the context of a depressed travel market in France.

In Canada, revenues were up for both summer and winter, as was the number of passengers. Our margins suffered somewhat, mainly due to fuel prices, which have been a concern for more than two years now. Just as a quick illustration of that, consider that from fiscal 2004 to fiscal 2006, our fuel costs climbed from $128 million to $248 million... that's an increase of more than 90%. During that same timeframe, our revenues grew 18%.

Transat Tours Canada is the unit behind our main brands in Canada: Transat Holidays, Nolitours and Air Transat. In 2006, TTC, as we call it, achieved several accomplishments and was very much the driving force behind our financial performance.

We increased our efficiency by introducing electronic travel documents; restructuring the sales and marketing organization nationally; launching new B2B websites to better serve the more than 4,000 travel agencies in Canada. We reinforced our offering and increased market share by introducing new destinations and new products; expanding our sales, especially in Europe and Ontario; streamlining the product lines offered by Transat Holidays and Nolitours; making substantial marketing and brand-building efforts in Canada, especially in support of our Nolitours brand.

Nolitours offers all-inclusive packages to sun destinations, including Florida. Commissions to travel agents are lower, but we make significant marketing investments to reach the public. As for Transat Holidays, it offers all-inclusive packages, European destinations and cruises and it features a number of exclusive, superior hotels.

In Ontario, we increased our market share in the segment of all-inclusive sun destination packages in the winter. And we forecast continued gains this winter. I am confident that we are now on the verge of becoming the Number one tour operator in Ontario. Our game plan is working: we have attacked from all fronts with more capacity on more destinations from more gateways, backed by solid marketing, aggressive pricing and smart yield management.

As you know, we have always insisted on the importance of consumer access… It is one of the basic principles of our vertical-integration approach. In 2006, we made another very important acquisition: nearly 200 travel agencies of the Thomas Cook/Marlin Travel network in Canada. This has made us the largest travel agent in the country. Transat Distribution Canada oversees all our distribution operations. Over the last year, the TDC team, headed by Philippe Sureau, has accomplished much to enhance our distribution system. It has completed the rebranding of our new agencies under the Marlin Travel brand; improved the compensation plan for all our corporate agencies; launched new B2C Internet platforms; recorded a significant increase in Internet sales. And above all, put in place a plan to increase the sale of Transat products. The results are evident already, and I tip my hat to the TDC team.

You may wonder why we attach so much importance to travel agents. After all, this is the age of the Internet. Well, consider this: some 90% of our sales are currently made off-line. But it's true that Internet sales are on the rise. The age of the Internet, in the travel sector, means the age of multi-channel distribution. In France, in the UK and in Canada, we are quickly putting in place various distribution strategies, making sure they all mesh together. Multi-channel distribution means: travel agents, corporate, franchised, or independent; and B2B and B2C websites and call centres. *But above all, it means that all these channels do not conflict with each other, but rather work as a system.*

We are, with Jonview Canada, the largest incoming tour operator in this country. In this position, we are facing a very special challenge. In 2005, Canada recorded an actual decline in visitors of 2%. In 2006, the trend continued, and even worsened. In this context, Jonview had a fairly good year in 2006, recording a 6% increase in the number of customers. But of course the overall situation of Canada is worrisome. In 2005, Canada was *the one and only country* in the Americas to record an actual decrease in visitors! This is another illustration of the undercurrent of change I was describing earlier.

We will continue to do our part promoting Canada abroad. But I think a wake-up call is needed. More vision, as well as more promotion, is needed from governments. A good example that our government may be short on vision, is the proposed cancellation of the GST rebate program for foreign visitors. This is a rebate program that many other countries also have. It is an incentive to come visit Canada. The federal government wants this program dead. In concrete terms, this means a package to Canada sold in the UK, for example, will see its price rise 6%, making all Canada's competitors' packages more attractive. You can only conclude that this is excellent news for competing destinations.

For Transat, the lesson is clear. Our strategy of being vertically integrated and international in scope is the right one. It gives us a natural hedge.

Let's now quickly review the main strategic elements of the 2006-2008 plan.

A significant component of the plan revolves around improving our market position and share in Canada and Europe. On that front, the Canadian Affair and Thomas Cook acquisitions, the accomplishments of TTC and of our French companies represent significant milestones. Other key components of the plan involve becoming a tour operator in the United States, capitalizing on vertical integration at destination, and targeting acquisitions or partnerships in the hotel sector. As far as the United States and hotels are concerned, we remained very active in 2006, but no transaction was made. Destination services, in our view, is also important in many respects. First of all, it gives us more control on customer experience. Second, it paves the way for a more attractive package. And third, it normally brings higher margins. That's why we want to do two things: expand our presence in destination services, and grow our sales outside the family.

Europe is one of the most vibrant tourism markets in the world, both as a destination and source. For sure, growth rates don't match Asia or Africa; but the sheer size of the market is very attractive. A quarter of our sales, at the moment, is made in Europe. We want to expand in Europe and we are working on two fronts to get there. We are developing a strategic plan for the growth of our French divisions... and also a plan to grow TTC and Air Transat's footprint in Europe.

In 2006, Air Transat kept up the good work. aircraft were on-time; fleet reliability was stellar; customer satisfaction was high; labour relations were excellent; and, most importantly, costs were very much under control. This coming summer, we will operate 16 Airbuses. This core fleet covers some 85% of the needs of TTC.

We also use several other carriers, including WestJet. Since 2003, WestJet has been our valued partner in what represents a true win-win agreement. Each year, TTC charters a few hundred thousand seats with WestJet. Its smaller planes allow us to serve smaller markets, and to concentrate our larger planes on larger markets. In 2006, we offered direct flights from more than 20 Canadian cities. And a few weeks ago, we announced the renewal of our partnership with WestJet until 2010.

Operating an airline in Canada is demanding. The current economic and tax framework imposed by the federal government distorts competition to the detriment of Canadian air carriers. We have agreed with the stated intention of the Government to liberalize Canada's international air policies. But there is a big "if" to our position. Ottawa's Blue Sky policy is *incompatible* with the current state of affairs in Canada. A revamping is *essential and urgent.*

This view is also shared by the Montreal Economic Institute and the CD Howe Institute, whose studies came to the same conclusion. In the case of Toronto, immediate action is needed. The status quo is simply not an option. *Ottawa must reduce the rent imposed on the GTAA.* Airlines and travellers will both benefit. It is a matter of fairness — pure and simple.

Obviously, we are very satisfied with the results of 2006. And we are pleased to announce that the quarterly dividend will increase from $0.07 to $0.09, or $0.36 per share on an annual basis, effective with the next payment.

Before we continue with the meeting, I would like to publicly thank each and every one of our 6,000 employees. They do an outstanding job under conditions that can at times be demanding. Several of our employees are here today. I would like to publicly thank them and all their colleagues for their devotion, commitment and good work.

I would also like to take this opportunity to thank all our Board members for their dedication and their contribution to the Company's growth and development.

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